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UNCLAS SECTION 01 OF 02 ASUNCION 000423

SIPDIS

STATE FOR WHA/BSC, WHA/EPSC, S/CT, EB/ESC/TFS, INL/C/CP
STATE PASS TO USTR FOR SCRONIN, LYANG
USAID FOR AA/LAC ADOLFO FRANCO
TREASURY FOR OSIA MAUREEN WAFER
COMMERCE ITA SARAH COOK
NSC FOR MIKE DEMPSEY
SOUTHCOTM FOR POLAD
US SOUTHERN COMMAND MIAMI, FLORIDA

SENSITIVE

E.O. 12958: N/A
TAGS: [ECON](#) [EFIN](#) [ETRD](#) [KIPR](#) [KMCA](#) [KCRM](#) [KTFN](#) [PTER](#) [PA](#)
SUBJECT: PARAGUAY: POST SUPPORTS ICE PROPOSAL FOR A TRADE
TRANSPARENCY MODULE TO FIGHT MONEY LAUNDERING

SENSITIVE BUT UNCLASSIFIED - ENTIRE TEXT.

¶1. (SBU) Summary and Action Request: USG Immigration and Customs Enforcement agents have proposed the creation of a Trade Transparency Module (TTM) in Paraguay, identified as the second highest priority country after Colombia. A TTM involves the use of sophisticated data mining software to analyze container-level trade data on both imports and exports between the US and partner countries. The software can be used to identify global trends, improve risk management, identify specific cases of trade-based money laundering, and target corrupt officials. Establishing a TTM in Paraguay, which would be incorporated in a vetted unit already in the process of being created, would cost approximately \$200,000. Post strongly supports this ICE initiative for the major impact it could have in combating money laundering, terrorism finance, and IPR violations, as well as its importance as a tool for fighting corruption and improving GOP revenue collection. Post requests Department provide funding or seek interagency support for this project. End Summary.

¶2. (SBU) In late February, three Special Agents from US Immigration and Customs Enforcement (ICE), a component of the Department of Homeland Security, visited Asuncion accompanied by ICE's attach based in Montevideo. The purpose of the trip was to introduce post and the GOP, specifically the Customs Administration and the Attorney General, to ICE's Trade Transparency Program, a powerful new technological tool in the fight against money laundering, terrorism finance, and tax evasion.

TTM - A Powerful Tool

¶3. (SBU) The ICE agents proposed the creation of a Trade Transparency Module (TTM) in Paraguay, which is the second priority country identified by ICE after Colombia, where the first TTM has been established. A TTM consists of a vetted unit equipped with several computer workstations running special data mining software analyzing transaction level trade data to identify anomalies that can point to trade-based money laundering, tax evasion and official corruption.

¶4. (SBU) ICE already has access to a database, updated frequently to stay about two months behind the current date, that includes container level data on both US imports and exports. Inputs come from the Automated Manifest System (AMS), Shippers Export Declarations (SED) and from Form 7501 entry summaries. The data includes the type and value of merchandize as well as name, address and other identifying information for the shipper and recipient. The ICE team was able to determine that GOP customs data could be formatted to be compatible with the software.

¶5. (SBU) The software can review multiple databases, such as Cash and Monetary Instrument Reports (CMIRs), which record cross-border shipments of currency over \$10,000, or other money transfer databases available in a particular country. The software can crosscheck names, addresses, passport numbers, or other search criteria to identify money and merchandise movements by persons or entities of interest.

¶6. (SBU) The analysts of the TTM would be able to do broad, product-level analyses to identify risky products, countries of origin, or firms to better target inspection efforts. Shipment level crosschecks can identify under- or over-valuation by traders and allow for the identification of corrupt customs officials facilitating such deception. In short, the TTM makes it very difficult for money launderers, tax evaders and corrupt officials to hide.

Vetted Unit a Must

17. (SBU) The capabilities of a TTM and the information it would generate would be valuable and subject to misuse by corrupt officials. The TTM would have to be managed by a vetted unit within Customs to be effective in the long run. Post's Resident Enforcement Advisor from Treasury's Office of Technical Assistance had previously begun discussions with the Customs Director about the creation of such a unit (for general investigations, before the TTM had been proposed), and has enlisted the support of an intermittent OTA advisor. A leader for the unit has been identified, and the Customs Director is in the process of recruiting members of the unit. This unit would also staff the TTM, if one were created.

18. (SBU) According to the ICE proposal, establishing a TTM in Paraguay would cost approximately \$200,000. The costs include seven computers, each with a copy of the data mining software, the data, and travel expenses associated with installation and training. A Customs Mutual Assistance Agreement between the US and Paraguay already exists, which would facilitate the exchange of data. The US would receive the Paraguayan data as well, allowing ICE to undertake analyses in the US of suspicious movements between the US and Colombia, the US and Paraguay, and between Colombia and Paraguay.

Comment and Action Request - Worth the Price

19. (SBU) Post believes that the creation of a TTM in Paraguay would advance several important mission goals, namely combating money laundering and terrorism financing, reducing official corruption, and supporting economic development through improved revenue collection. The Hijazi case (ongoing money laundering and terrorism finance investigation) provides a snapshot of the volumes of money generated illicitly in the tri-border region, some of which goes directly to the Middle East. Lax customs enforcement is the fertile soil from which much of Paraguay's informal and illicit economy grows. Providing such a powerful tool to a government still focused on reform can make a big difference. The timing is especially good given Brazil's renewed commitment to fight contraband and money laundering in the tri-border area. Post strongly urges Washington agencies to identify funding to support a Trade Transparency Module in Paraguay.

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